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Legislative Audit Division

State of Montana

Report to the Legislature

November 1997

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1997

Montana State Library Commission

This report contains no recommendations.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act of 1984 and Amendments of 1996, and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1995 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

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Room 135, State Capitol
PO Box 201705
Helena MT 59620-1705

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John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

November 1997

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana State Library Commission's financial activity for fiscal years 1995-96 and 1996-97. The report contains no recommendations. The Montana State Library Commission's written response to the audit report is included in the back of the audit report.

We thank the Montana State Library Commission officials and their staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

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Legislative Audit Division

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1997

Montana State Library Commission

Members of the audit staff involved in this audit were Brenda Bokovoy, Wayne D. Guazzo, and Cindy S. Jorgenson.

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Appointed and Administrative Officials

Montana State Library Commission

		Term Expires
Michael Schulz* Chairperson	Dillon	May 1998
Dorothy Laird Vice Chairperson	Whitefish	May 1999
Mary Doggett	White Sulphur Springs	May 1998
Harold (Hal) Stearns	Helena	May 1999
Rosemary Garvey	Butte	May 2000
David Johnson	Billings	May 2000
Cheri Bergeron	Helena	**

* Appointed by the Commissioner of Higher Education from the Montana University System.

** Designated by the Superintendent of Public Instruction. No term is set.

Administration

Karen Strege, State Librarian

Allan B. Cox, NRIS Coordinator

Darlene Staffeldt, Coordinator of Statewide Library Resources

Sandra Jarvie, Coordinator of Talking Book Library

Kris Schmitz, Accountant

Mary Jane West, Administrative Assistant

Montana State Library Commission

This financial-compliance audit report contains the results of the audit of the Montana State Library Commission for the two fiscal years ended June 30, 1997.

There are no audit recommendations directed to the library as a result of our audit.

We issued an unqualified opinion on the financial schedules contained in the report beginning on page A-3. This means the reader may rely on the presented financial information and the supporting data on the Statewide Budgeting and Accounting System.

Introduction

Introduction

We performed a financial-compliance audit of the Montana State Library Commission (library) for the two fiscal years ended June 30, 1997. The objectives of the audit were to:

1. Determine if the financial schedules present fairly the library's results of operations and changes in fund balances for the two fiscal years ended June 30, 1997.
2. Determine if the library complied with applicable laws and regulations.
3. Make recommendations for improvement in the internal and management controls of the library.
4. Determine the implementation status of prior audit recommendations.

This report contains no recommendations to the library. Areas of concern deemed not to have a significant effect on the successful operations of the library programs are not included in this report, but have been discussed with management.

Background

The library is the focal point for the development and improvement of library services in Montana. It provides general library services to Montana state government and operates the Montana Talking Book Collection and Natural Resource Information System. The library operates under policies established by the Montana State Library Commission. The library was created in 1929 by law, which is currently codified in Title 22, chapter 1, MCA. The library commission consists of seven members as follows: five persons appointed by the Governor; the state Superintendent of Public Instruction or her designee; and a librarian appointed by the Commissioner of Higher Education from the Montana University System.

The library's financial activity is accounted for in two programs: 1) the Library Commission Operations Program; and 2) the Natural Resource Information System Program.

Introduction

State Library Operations Program

State law charges the commission with providing library services to state government and with developing and improving statewide library services. To accomplish this, the State Library Operations Program has three major components:

Statewide Library Resources provides reference information services and lends materials, either directly to users or through academic, school, special, or public libraries. This component also provides centralized library material acquisition, cataloging and technical processing, and operates the state documents depository center. Its responsibilities include servicing the information needs of state government, including operation of direct interlibrary loan services.

The Statewide Library Resources component provides assistance to Montana libraries to promote efficient delivery of library services to Montana's citizens. Assistance provided includes budget preparation, library laws, continuing education, collection management, and library technology.

Montana Talking Book Collection provides library services for the blind, visually impaired, and physically disabled who are unable to read standard print. The library lends books and magazines in a variety of formats to eligible individuals and institutions. It maintains and distributes special playback equipment and accessories for the program. The Library of Congress provides the playback equipment and the majority of recorded books and materials.

The Talking Book section of the library operates a volunteer program. Volunteers contributed 13,623 and 11,098 hours of services in calendar years 1995 and 1996 respectively. The volunteers provide assistance in the daily tasks such as filing orders for cassette books and preparing them for shipments. In addition, volunteers record books for the blind that are of interest to Montanans or are written by Montana authors.

Administration provides central management, fiscal and accounting, and federal program administration, for the library.

Natural Resource Information System Program

The 1983 Legislature established the Natural Resource Information System (NRIS) to improve the availability and accessibility to data and information on Montana's natural resources. NRIS operates a clearinghouse and referral service to link users with the best sources of information. It helps coordinate among agencies and organizations which use the same types of natural resource information to reduce duplication and promote information sharing. NRIS serves governmental agencies, business and industry, and private citizens. NRIS personnel provide assistance in systems design and establishing standards for data collection to ensure quality and compatibility. NRIS has three main components:

Montana Natural Heritage Program maintains a computerized inventory of Montana's biological resources, emphasizing rare, threatened, or endangered plant and animal species and biological communities. The program is operated through a contract with The Nature Conservancy, which operates similar heritage programs in all 50 states and several foreign countries.

Montana Water Information System functions as the starting point for locating water resources information in Montana, such as data on surface water, groundwater, water quality, riparian areas, water rights, and climate data.

Montana Geographic Information System (GIS) personnel provide technical assistance on how to present data on maps to provide useful information. GIS personnel also assist state agencies and other users of geographic information in developing in-house expertise in using the system.

Funding

Total expenditures for the library were $3,300,055 and $3,269,407 for fiscal years 1995-96 and 1996-97, respectively. Library operations and grants to local libraries are financed from General Fund appropriations, federal assistance pursuant to the Library Services and Construction Act, and a portion of the state's Coal Severance Tax. NRIS is primarily funded through contracts with federal, state, and local governmental entities. NRIS also contracts with private and public not-for-profit businesses. The remainder of the funding for this program comes from the General and the Resource Indemnity Trust Funds.

Introduction

The library was authorized 28.5 full-time equivalent (FTE) employees. It consisted of 24.5 FTE providing library services and administration, and 4 FTE operating NRIS. NRIS operated with approximately 8 additional FTE during the biennium, funded through contracts with users of the system. Appropriation law allows the NRIS program to expand its FTE level to accommodate an increase in service contracts.

Prior Audit Recommendations

Prior Audit Recommendations

We performed the audit of the Montana State Library Commission for the two fiscal years ended June 30, 1995. The previous audit of the library resulted in no recommendations.

Independent Auditor's Report & Agency Financial Schedules

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Montana State Library Commission for each of the two fiscal years ended June 30, 1996 and 1997, as listed in the table of contents. The information contained in these financial schedules is the responsibility of the library's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the commission's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Montana State Library Commission for the two fiscal years ended June 30, 1996 and 1997, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

August 7, 1997

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LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	General Fund	Special Revenue Fund	Expendable Trust Fund
FUND BALANCE: July 1, 1996	$ (72,417)[1]	$ 92,321	$ 7,093
ADDITIONS			
Budgeted Revenues & Transfers-In		1,289,563	
Nonbudgeted Revenues & Transfers-In	24,336	163,276	8,469
Prior Year Revenues & Transfers-In Adjustments		(5)	
Cash Transfers In (Out)	1,392,627	258,057	
Direct Entries to Fund Balance	10	12	
Total Additions	1,416,973	1,710,903	8,469
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	1,459,059	1,805,306	
Nonbudgeted Expenditures & Transfers-Out		4,870	
Prior Year Expenditures & Transfers-Out Adjustments	550	(378)	
Total Reductions	1,459,609	1,809,798	0
FUND BALANCE: June 30, 1997	$ (115,053)[1]	$ (6,574)[2]	$ 15,562

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional Information is provided in the notes to the financial schedules beginning on page A-11.

[1] See note 4 on page A-12
[2] See note 7 on page A-13

LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	General Fund	Special Revenue Fund	Expendable Trust Fund
FUND BALANCE: July 1, 1995	$ (53,661)[1]	$ 45,227	$ 0
ADDITIONS			
Budgeted Revenues & Transfers-In		1,281,246	
Nonbudgeted Revenues & Transfers-In	202,222	171,945	7,093
Prior Year Revenues & Transfers-In Adjustments		(1,528)	
Cash Transfers In (Out)	1,352,457	322,051	
Total Additions	1,554,679	1,773,714	7,093
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	1,394,751	1,725,142	
Nonbudgeted Expenditures & Transfers-Out	178,816	1,312	
Prior Year Expenditures & Transfers-Out Adjustments	(132)	166	
Total Reductions	1,573,435	1,726,620	0
FUND BALANCE: June 30, 1996	$ (72,417)[1]	$ 92,321	$ 7,093

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional Information is provided in the notes to the financial schedules beginning on page A-11.

[1] See note 4 on page A-12.

LIBRARY COMMISSION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	General Fund	Special Revenue Fund	Expendable Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Charges for Services	$ 24,336	$ 1,710		$ 26,046
Investment Earnings			$ 606	606
Grants, Contracts, Donations and Abandonments		308,262	7,863	316,125
Other Financing Sources		181,085		181,085
Federal		961,777		961,777
Total Revenues & Transfers-In	24,336	1,452,834	8,469	1,485,639
Less: Nonbudgeted Revenues & Transfers-In	24,336 [2]	163,276 [2]	8,469 [2]	196,081
Prior Year Revenues & Transfers-In Adjustments		(5)		(5)
Actual Budgeted Revenues & Transfers-In	0	1,289,563	0	1,289,563
Estimated Revenues & Transfers-In		1,966,301		1,966,301
Budgeted Revenues & Transfers-In Over (Under) Estimated	$ 0	$ (676,738)	$ 0	$ (676,738)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS				
Charges for Services		$ (1,899)		$ (1,899)
Investment Earnings				0
Grants, Contracts, Donations and Abandonments		(19,203) [1]		(19,203)
Other Financing Sources		(1,800)		(1,800)
Federal		(653,836) [1]		(653,836)
Budgeted Revenues & Transfers-In Over (under) Estimated	$ 0	$ (676,738)	$ 0	$ (676,738)

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional Information is provided in the notes to the financial schedules beginning on page A-11.

[1] See note 5 on page A-13
[2] See note 6 on page A-13

LIBRARY COMMISSION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	General Fund	Special Revenue Fund	Expendable Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Charges for Services	$ 23,406	$ 2,261		$ 25,667
Investment Earnings			$ 211	211
Grants, Contracts, Donations and Abandonments		355,767	6,882	362,649
Other Financing Sources	178,816	184,857		363,673
Federal		908,778		908,778
Total Revenues & Transfers-In	202,222	1,451,663	7,093	1,660,978
Less: Nonbudgeted Revenues & Transfers-In	202,222 [2]	171,945 [2]	7,093 [2]	381,260
Prior Year Revenues & Transfers-In Adjustments		(1,528)		(1,528)
Actual Budgeted Revenues & Transfers-In	0	1,281,246	0	1,281,246
Estimated Revenues & Transfers-In		2,556,313		2,556,313
Budgeted Revenues & Transfers-In Over (Under) Estimated	$ 0	$ (1,275,067)	$ 0	$ (1,275,067)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS				
Charges for Services		$ (3,362)		$ (3,362)
Investment Earnings				0
Grants, Contracts, Donations and Abandonments		(225,463) [1]		(225,463)
Other Financing Sources		(20,000)		(20,000)
Federal		(1,026,243) [1]		(1,026,243)
Budgeted Revenues & Transfers-In Over (under) Estimated	$ 0	$ (1,275,068)	$ 0	$ (1,275,068)

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional Information is provided in the notes to the financial schedules beginning on page A-11.

[1] See note 5 on page A-13
[2] See note 6 on page A-13

LIBRARY COMMISSION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT	State Library Operations	Natural Resource Info System	Total
Personal Services			
Salaries	$ 601,562	$ 359,019	$ 960,581
Other Compensation	3,400		3,400
Employee Benefits	158,534	84,471	243,005
Total	763,496	443,490	1,206,986
Operating Expenses			
Other Services	121,895	264,633	386,528
Supplies & Materials	24,783	22,709	47,492
Communications	36,751	14,525	51,276
Travel	26,487	17,021	43,508
Rent	172,927	3,600	176,527
Repair & Maintenance	13,581	25,485	39,066
Other Expenses	34,404	16,216	50,620
Total	430,828	364,189	795,017
Equipment & Intangible Assets			
Equipment	168,569	80,070	248,639
Intangible Assets	9,093	6,023	15,116
Total	177,662	86,093	263,755
Grants			
From State Sources	589,489		589,489
From Federal Sources	364,227		364,227
Total	953,716		953,716
Debt Service			
Installment Purchases	16,644	33,289	49,933
Total	16,644	33,289	49,933
Total Program Expenditures & Transfers-Out	$ 2,342,346	$ 927,061	$ 3,269,407
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND			
General Fund	$ 1,405,063	$ 54,546	$ 1,459,609
Special Revenue Fund	937,283	872,515	1,809,798
Total Program Expenditures & Transfers-Out	2,342,346	927,061	3,269,407
Less: Nonbudgeted Expenditures & Transfers-Out	4,870		4,870
Prior Year Expenditures & Transfers-Out Adjustments	172		172
Actual Budgeted Expenditures & Transfers-Out	2,337,304	927,061	3,264,365
Budget Authority	2,812,949	1,104,010	3,916,959
Unspent Budget Authority	$ 475,645	$ 176,950	$ 652,595
UNSPENT BUDGET AUTHORITY BY FUND			
General Fund	$ 11,263	$ 1	$ 11,264
Special Revenue Fund	464,382	176,949	641,331
Unspent Budget Authority	$ 475,645	$ 176,950	$ 652,595

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional Information is provided in the notes to the financial schedules beginning on page A-11

LIBRARY COMMISSION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT	State Library Operations	Natural Resource Info System	Total
Personal Services			
Salaries	$ 591,216	$ 326,467	$ 917,683
Other Compensation	3,900		3,900
Employee Benefits	154,440	78,931	233,371
Total	749,556	405,398	1,154,954
Operating Expenses			
Other Services	122,243	285,080	407,323
Supplies & Materials	22,199	18,090	40,289
Communications	44,167	16,086	60,253
Travel	32,342	18,118	50,460
Rent	168,211	3,550	171,761
Repair & Maintenance	13,326	28,204	41,530
Other Expenses	35,479	11,704	47,183
Total	437,967	380,832	818,799
Equipment & Intangible Assets			
Equipment	145,221	41,774	186,995
Intangible Assets	4,905	794	5,699
Installment Purchases - Equipm	178,816		178,816
Total	328,942	42,568	371,510
Grants			
From State Sources	594,705		594,705
From Federal Sources	339,282		339,282
Total	933,987		933,987
Debt Service			
Installment Purchases	20,805		20,805
Total	20,805		20,805
Total Program Expenditures & Transfers-Out	$ 2,471,257	$ 828,798	$ 3,300,055
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND			
General Fund	$ 1,532,151	$ 41,284	$ 1,573,435
Special Revenue Fund	939,106	787,514	1,726,620
Total Program Expenditures & Transfers-Out	2,471,257	828,798	3,300,055
Less Nonbudgeted Expenditures & Transfers-Out	180,128 [1]		180,128
Prior Year Expenditures & Transfers-Out Adjustments	(12)	47	35
Actual Budgeted Expenditures & Transfers-Out	2,291,141	828,751	3,119,892
Budget Authority	3,316,941	1,610,029	4,926,970
Unspent Budget Authority	$ 1,025,800	$ 781,278	$ 1,807,078
UNSPENT BUDGET AUTHORITY BY FUND			
General Fund	$ 141,378	$ 54,546	$ 195,924
Special Revenue Fund	884,422	726,732	1,611,154
Unspent Budget Authority	$ 1,025,800	$ 781,278	$ 1,807,078

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional Information is provided in the notes to the financial schedules beginning on page A-11.

[1] See note 6 on page A-13

Notes to the Financial Schedules
For the Two Fiscal Years Ended June 30, 1997

1. Summary of Significant Accounting Policies

Basis of Accounting

The Montana State Library Commission (library) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental and Expendable Trust Funds. In applying the modified accrual basis, the library records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the library to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the library received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Budgeting and Accounting System without adjustment.

Accounts are organized in funds according to state law. The library uses the following funds:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund. General Fund support is used to provide services through both the State Library Operations and Natural Resource Information System (NRIS) programs.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Library Special Revenue Funds include the federal Library Services and Construction Act grant, an allocation of Coal Severance Tax

revenues, NRIS contracts with public (state and federal) and private entities, and an allocation of Resource Indemnity Trust Fund earnings.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. The library has an Expendable Trust Fund to account for donations made to the Talking Book Program.

2. **Annual and Sick Leave**

Employees at the library accumulate both annual and sick leave. The library pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in accompanying financial schedules. The library absorbs expenditures for termination pay in its annual operational costs. At June 30, 1997, the library had a liability of $93,959.

3. **Pension Plan**

Employees are covered by the Montana Public Employees' Retirement System (PERS). The library's contribution to PERS was $55,724 in fiscal year 1995-96 and $63,452 in fiscal year 1996-97.

4. **General Fund Balance**

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The General Fund is a statewide fund. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. Each agency records cash or other assets from the statewide fund when it pays General Fund obligations. The library's outstanding liabilities exceed the assets the agency has placed in the fund, resulting in negative ending fund balances for each of the two fiscal years ended June 30, 1996 and June 30, 1997.

5. Unspent Budget Authority and Budgeted Revenues & Transfers-In Under Estimated

The library's Special Revenue Fund accounts for Library Services and Construction Act (LSCA) grant activity and NRIS contracts with public and private entities. LSCA grant projects may extend over several years. In addition, the services agreed upon in the NRIS contracts may take more than one year to complete. The library establishes both an appropriation and a revenue estimate on SBAS for the entire grant or contract amount when the grant or contract is awarded. Expenditures are recorded as they are incurred and revenues as they are earned. As a result, budget authority and estimated revenues generally exceed actual expenditures and revenues in any given year.

6. Non-Budgeted Activity

The library recorded the following activity as nonbudgeted revenues and expenditures on the state's accounting records:

	Fiscal Year 1995-96	Fiscal Year 1996-97
Nonbudgeted Revenues		
General Fund		
Installment Purchase - Automation Equipment	$178,816	
Federal Indirect Cost Recoveries	23,406	$24,336
Special Revenue Fund		
Coal Tax Revenues	$166,301	$161,085
Private Funds	5,644	2,191
Expendable Trust Fund		
Talking Book Program Donations	$6,882	$7,863
Investment Earnings	211	606
Nonbudgeted Expenditures		
General Fund		
Installment Purchase - Automation Equipment	$178,816	

7. Special Revenue Fund Ending Fund Balance

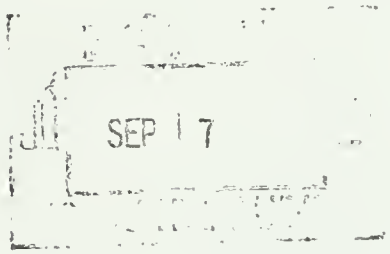
The Schedule of Changes in Fund Balances for the Fiscal Year Ended June 30, 1997, contains a negative ending fund balance of $6,574 in the Special Revenue Fund. Two of the entities within the Special Revenue had a combined negative ending fund balance of $71,849. These entities account for the state's Resource Indemnity Trust Tax activity. Several state agencies, including the library, have appropriation authority to spend from these entities. The Department of Natural Resources & Conservation accounts for the revenue activity in these entities. The library's financial schedules

show only the library's portion of the total activity occurring within the entities. The negative ending fund balances represent the expenditures incurred, but not paid, by the library at June 30, 1997. Resources will be made available to the library from the Department of Natural Resources & Conservation at the time the liabilities are paid.

Agency Response

MONTANA State Library

1515 East 6th Avenue • Helena, Montana 59620-1800 • 406-444-3115
FAX 406-444-5612 • http://msl.mt.gov



September 16, 1997

Scott Seacat
Legislative Auditor
State Capitol
P.O. Box 201705
Helena, MT 59620-1705

I wish to thank the Legislative Audit staff for their assistance and work performed on the State Library Commission Financial-Compliance Audit for the two fiscal years ending June 30, 1997. The rapport they established with our personnel made the effort efficient and time effective. We value and appreciate their assistance and advice.

The State Library Commission will be delighted and proud that your report shows that our agency is performing at an acceptable level of accountability and accuracy. We will always strive to meet this standard.

Sincerely,

Karen Strege

Karen Strege
State Librarian

KS:kms

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